Auditing P Issued under P.A. 2 of 196		s Repo	ort					
Local Government Type City Town		✓Other	Local Governme SAGINAW	nt Name AREA GIS AUTI	HORITY	County	INAW	
Audit Date 9/30/05	Opinion 12/12			Date Accountant Report 2/9/06	Submitted to State:			
	Statements of	the Govern	mental Accou	nting Standards Bo	pard (GASB) and the	ne Uniform	atements prepared in Reporting Format for ry.	
We have compli	ed with the <i>Bullet</i>	lin for the Au	dits of Local U	Inits of Government	in Michigan as revis	ed.		
2. We are certified	public accountan	its registered	to practice in	Michigan.				
We further affirm the comments and recor		responses h	ave been disc	losed in the financia	l statements, includi	ng the notes	, or in the report of	
You must check the a	applicable box for	each item b	elow.					
Yes ✓ No	Certain comp	conent units/	funds/agencie	s of the local unit ar	e excluded from the	financial sta	itements.	
Yes ☑ No	There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).							
Yes 📝 No	There are in amended).	stances of	non-complianc	e with the Uniform	Accounting and Br	udgeting Act	(P.A. 2 of 1968, as	
Yes 🗸 No		The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.						
Yes ✓ No		The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).						
Yes ✓ No	6. The local uni	The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.						
Yes ✓ No	7. pension bene	The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).						
Yes 🗸 No		The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).						
✓ Yes	9. The local uni	t has not add	opted an inves	tment policy as requ	uired by P.A. 196 of	1997 (MCL 1	29.95).	
We have enclosed	the following:				Enclosed	To Be Forward		
The letter of comme	nts and recomme	endations.			1		·	
Reports on individual federal financial assistance programs (program audits).							✓	
Single Audit Reports (ASLGU).							✓	
Certified Public Accounts BERTHIAUME 8	, ,	PAS						
Street Address 60 HARROW LANE				City SAGIN	AW	State MI	48638	
Accountant Signature	willy	40-62	marin	une		Date 3-C	1-06	

Saginaw, Michigan

FINANCIAL STATEMENTS

September 30, 2005

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60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Executive Committee and Board of Trustees Saginaw Area GIS Authority Saginaw, Michigan

We have audited the accompanying financial statements of the business-type activities as of and for the year ended September 30, 2005, which comprises the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Saginaw Area GIS Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

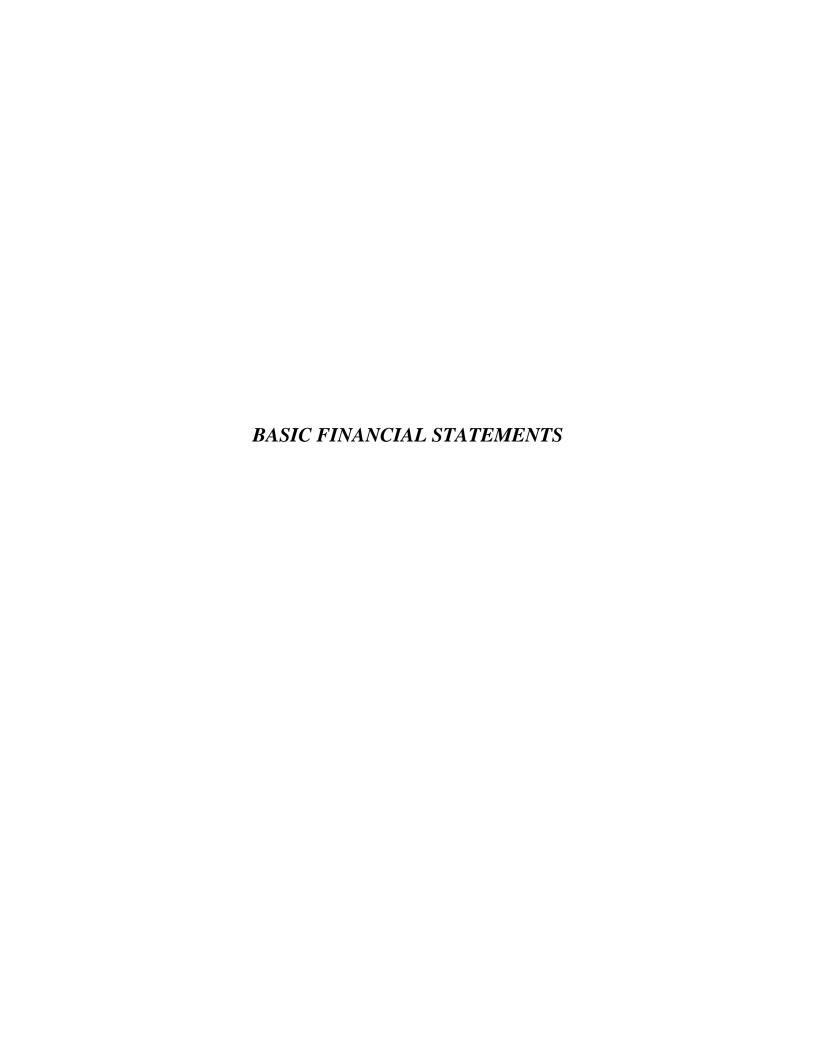
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Saginaw Area GIS Authority, as of September 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

December 12, 2005

Berchiaume & Co.



ASSETS:

Net Assets:

Unrestricted

Total net assets

Investment in capital assets

Total liabilities and net assets

STATEMENT OF NET ASSETS

September 30, 2005

Current Assets:	
Cash and cash equivalents	\$ 45,947
Trade receivables	6,336
Capital grant receivable	16,628
Prepaid insurance	 2,532
Total current assets	 71,443
Capital Assets (note 3)	 95,826
Total assets	\$ 167,269
LIABILITIES AND NET ASSETS:	
Current Liabilities:	
Accounts payable	\$ 33,267
Total current liabilities	 33,267

95,826 38,176

134,002

\$ 167,269

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

Year Ended September 30, 2005

OPERATING REVENUES:		
Public sector/members – charges for services	\$	168,201
Private sector – charges for services		16,363
In-kind from Saginaw County and City		38,000
Total operating revenues		222,564
OPERATING EXPENSES:		
Accounting fees		3,100
Insurance		2,507
Legal fees		2,738
Contracted services – County of Saginaw		129,916
Contracted services – City of Saginaw		30,000
Software expense		3,641
Education and training		1,700
Other administrative expenses		551
Depreciation expense		16,910
In-kind ISS tech support, network maintenance, software, training and organizational		
cost by Saginaw County and City		38,000
Total operating revenues	_	229,063
Operating income (loss)		(6,499)
NON-OPERATING REVENUES:		
Interest income		1,873
Net income (loss) before capital contributions		(4,626)
CAPITAL GRANT CONTRIBUTIONS:		
Contribution from Saginaw County – computer equipment		2,000
Federal Homeland Security Grant Passed-thru County		50,000
Dow Chemical Grant		50,000
City of Saginaw Grant		20,000
Michigan Center for Geographic Information Grant		16,628
Total capital contributions	_	138,628
Changes in net assets		134,002
Net assets, October 1, 2004	_	
Net assets, September 30, 2005	\$	134,002

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2005

Cash flows from operating activities:		
Cash received from customers/members for services	\$	161,600
Cash payments for goods and services		(143,418)
Net cash provided (used) by operating activities		18,182
Cash flows from capital and related financing activities:		
Capital grants received		136,628
Purchase of capital assets		(110,736)
Net cash provided (used) by capital and related financing activities		25,892
Cash flows from investment activities:		
Interest income		1,873
Net cash provided by investing activities		1,873
Net increase in cash and cash equivalents		45,947
Cash and cash equivalents, beginning of year	_	
Cash and cash equivalents, end of year	\$	45,947
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
BT OFERATING ACTIVITIES.		
Operating income (loss)	\$	(6,499)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation		16,910
(Increase) decrease in assets: Accounts receivable		(22,964)
Prepaid insurance		(22,504) $(2,532)$
Increase (decrease) in liabilities:		(=,002)
Accounts payable		33,267
Net cash provided by operating activities	\$	18,182

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity and Organization – The Saginaw Area GIS Authority was establish on September 20, 2004 by an Interlocal Agreement between twenty-two local governmental units in Saginaw County. The Authority operates a geographic information system as a separate governmental unit pursuant to MCLA 124.507.

Each participating unit of government appoints a representative to the Authority. These representatives constitute the Authority Board of Trustees in accordance with the By-Laws of the Authority.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Authority. There are no component units. The Authority is not a component of any other reporting entity.

The accounting policies of the Saginaw Area GIS Authority conform to generally accepted accounting principles as applicable to governmental units.

- **Basis of Accounting** The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an Enterprise Fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues, and expenses.
- **Measurement Focus** The financial activities of the Authority are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statement of net assets; revenues are recorded when earned and expenses are recorded when liabilities are incurred.
- **Cash and Cash Equivalents** The Authority considers its deposits and, if any, restricted deposits, and investments held with maturities of three months or less as cash equivalents.
- **Investments** Investments, if any, are stated at fair value. The Authority currently has no investments.
- **Prepaid Expenses** Certain payments to vendors reflect costs applicable to future fiscal years and may be recorded as prepaid items in the financial statements.
- **Capital Assets** Capital assets are stated at cost or fair market value if received as a donation. Depreciation is computed using the straight-line method based on the estimated useful lives of five (5) years.
- **Long-Term Obligations** In the Statement of Net Assets, long-term debt and other long-term obligations, if any, are reported as liabilities. Currently the Authority has no long-term obligations.
- **Revenues/Expenses** Operating revenues and expenses generally result from providing services. All other revenues and expenses are reported as nonoperating.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority's deposits are in accordance with statutory authority. The Authority does not have any investments.

Custodial Credit Risk of Bank Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it.

The Authority's cash is included on the Statement of Net Assets in the amount of \$45,947. It is comprised of bank deposits that are reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$58,647. The entire amount was covered by federal depository insurance.

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2005 was as follows:

	Balance October 1, 2004		Additions		Deletions		Balance September 30, 2005		Depreciable Life	
Capital assets being depreciated:										
Computer equipment Orthophotography	\$	-	\$	2,756	\$	-	\$	2,756	5 years	
data		-		109,980		-		109,980	5 years	
Total		-		112,736		-		112,736		
Less accumulated depreciation		-		16,910		-		16,910		
Net total capital assets	\$	-	\$	95,826	\$	-	\$	95,826		

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions. The Authority has purchased commercial insurance for property loss, torts, errors and omissions. Settled claims, if any, relating to the commercial insurance have not exceeded the amount of insurance coverage.



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MANAGEMENT LETTER

To the Executive Committee and Board of Trustees Saginaw Area GIS Authority Saginaw, Michigan

We have completed our audit of the financial statements of the Saginaw Area GIS Authority for the year ended September 30, 2005, and have issued our report thereon dated December 12, 2005. As part of our examination, we made a study and evaluation of the Authority's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Authority's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Authority's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Saginaw Area GIS Authority taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses. We did, however, note the following:

INVESTMENT POLICY:

State Law requires that every governmental unit shall establish an investment policy in the prescribed format.

We recommend that the Authority adopt an investment policy as required by the State.

CANCELLED CHECKS:

We found that the Authority is not receiving its cancelled checks along with the monthly bank statement.

For purposes of internal control and audit, we recommend that the Authority request its bank to return the cancelled checks (or check photos) along with the monthly bank statement.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company Certified Public Accountants

Thomasha Einthrum

December 12, 2005

